

CITY OF ALBIA  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2005

Peak & Gerdes, LLP  
Certified Public Accountants  
1051 Office Park Road  
West Des Moines, IA 50265

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City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Clark	Mayor	January 1, 2006
Jim Keller *	Council Member	January 1, 2006
Dan Stouthammer *	Council Member	January 1, 2008
Jeff Stoffa	Council Member	January 1, 2006
Jan Haselhuhn	Council Member	January 1, 2008
Helen Foster *	Council Member	January 1, 2006
Norm Braun	Council Member	January 1, 2006
Tim Stoller **	Council Member	January 1, 2006
Kelly Freeman **	Council Member	January 1, 2006
Larry Johnson **	Council Member	January 1, 2006
Carl E. Gragg *	City Clerk/Treasurer	January 1, 2006
Linda Roorda **	City Clerk/Treasurer	January 1, 2006
John Pabst	Attorney	January 1, 2006

Library Board

Joe Starcevic	Library Trustee	July 1, 2005
Dave Paxton	Library Trustee	July 1, 2006
Dorothy Cabell	Library Trustee	July 1, 2006
Lelah Marlin	Library Trustee	July 1, 2008
Sylvia Rosenthal	Library Trustee	July 1, 2008
Matt Foster	Library Trustee	July 1, 2008
Marty Ryan	Library Trustee	July 1, 2008
Sharon Crall	Library Trustee	July 1, 2008
Joe Mahoney	Library Trustee	July 1, 2008

Cemetery Board

Marge Adler	Cemetery Trustee	July 1, 2006
Coleen Putnam	Cemetery Trustee	July 1, 2008
Kenny Williams	Cemetery Trustee	July 1, 2008
Mary Woodcock	Cemetery Trustee	July 1, 2008
John Botts	Cemetery Trustee	July 1, 2010
Roland Barnes	Cemetery Trustee	July 1, 2010
Lester Poole	Cemetery Trustee	July 1, 2010

\* - Resigned in fiscal year 2005

\*\* - Appointed in fiscal year 2005

City of Albia

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Planning and Zoning</u>		
Chris Anderson	Commissioner	February 1, 2006
Robert Reed	Commissioner	February 1, 2006
Rich Bartels	Commissioner	February 1, 2008
John Freshwater	Commissioner	February 1, 2009
Rino Della Vedova	Commissioner	February 1, 2009
Homer Renwick	Commissioner	February 1, 2010
Ray Vitko, Jr.	Commissioner	February 1, 2010
<u>Board of Adjustment and Review</u>		
Sue Palmer	Board Member	August 3, 2005
Steve Goodlow	Board Member	August 3, 2007
Kenneth Geyer	Board Member	August 3, 2008
Andy Winborn	Board Member	August 3, 2009
E.H. Scales	Board Member	August 3, 2011
<u>Historic Preservation Board</u>		
Matt Foster	Board Member	January 1, 2006
Robert Reed	Board Member	January 1, 2006
Michael Judge	Board Member	January 1, 2007
Camillia Williamson	Board Member	January 1, 2007
John Scieszinski	Board Member	January 1, 2007
<u>Low-Rent Housing</u>		
Mary Lou Rinehart	Board Member	May 8, 2007
Marilyn Koffman	Board Member	May 8, 2007
Dan Johnson	Board Member	May 8, 2007
Donna Judge	Board Member	May 8, 2007
E.H. Scales	Board Member	May 8, 2007
<u>Albia Waterworks Board</u>		
John Scieszinski	Board Member	April 2, 2007
Bob Russell	Board Member	April 2, 2009
Jack Scieszinski	Board Member	April 2, 2011
<u>Albia Parks Commission</u>		
Kim Howie	Commissioner	October 18, 2005
Ted Banning	Commissioner	October 18, 2006
Steve Parks	Commissioner	October 18, 2006
Dan Tometich	Commissioner	October 18, 2007
Julie Baylor	Commissioner	October 18, 2007

**City of Albia**

PEAK & GERDES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1051 OFFICE PARK ROAD  
WEST DES MOINES, IOWA 50265

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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Albia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Albia as of June 30, 2005, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2005 on our consideration of the City of Albia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 8 through 13 and 28 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Albia's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Gerdes, LLP  
Certified Public Accountants

July 15, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Albion provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2005 FINANCIAL HIGHLIGHTS**

- \* Receipts of the City's governmental activities decreased 33%, or approximately \$1,220,000, from fiscal 2004 to fiscal 2005. Bond proceeds decreased \$1,481,200 and local option sales tax increased approximately \$263,000.
- \* Disbursements of the City's governmental activities increased 83%, or approximately \$1,627,000, in fiscal 2005 to fiscal 2004. Public safety, debt service and capital projects disbursements increased approximately \$70,000, \$30,000 and \$1,632,000, respectively. Culture and recreation and general government disbursements decreased approximately \$41,000 and \$61,000, respectively.
- \* The City's total cash basis net assets decreased 39%, or approximately \$1,172,000, from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$1,097,000 and the assets of the business type activities decreased by approximately \$75,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the city's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.



## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operation of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statement**

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into three kinds of activities:

- (1) Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- (2) Business Type Activities include the landfill, airport and the sanitary sewer system. These activities are financed primarily by user charges.
- (3) The Component unit includes the activities of the City's Municipal Waterworks. The City has included the Waterworks activities because its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

### **Fund Financial Statements**

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and Trust & Agency funds, 3) the Debt Service Fund, 4) the Capital Projects Fund and, 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Sewer funds, considered to be a major fund of the City. The Landfill fund and the Airport Fund are considered to be non-major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and charges in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased sharply from a year ago, decreasing from \$2.642 million to \$1.545 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

### Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	Year ended <u>June 30, 2004</u>	Year ended <u>June 30, 2005</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 95	56
Operating grants, contributions and restricted interest	435	396
Capital grants, contributions and restricted interest	25	138
General receipts:		
Property tax	950	947
Local option sales tax	119	382
Grants and contributions not restricted to specific purposes	-	18
Unrestricted investment earnings	12	9
Bond proceeds	1,981	500
Miscellaneous	49	21
Sale of assets	9	7
Transfers, net	<u>33</u>	<u>14</u>
Total operating receipts and transfers	<u>3,708</u>	<u>2,488</u>
Disbursements:		
Public safety	453	524
Public works	352	362
Culture and recreation	194	153
Community and economic development	48	33
General government	290	228
Debt service	387	417
Capital projects	<u>235</u>	<u>1,868</u>
Total disbursements	<u>1,959</u>	<u>3,585</u>
Increase (decrease) in cash basis net assets	1,749	(1,097)
Cash basis net assets beginning of year	<u>893</u>	<u>2,642</u>
Cash basis net assets end of year	<u>\$2,642</u>	<u>1,545</u>

The City's total receipts for governmental activities decreased by 33%, or 1,220,000. The total cost of all programs and services increased by approximately \$1,626,000, or 83%, with no new programs added this year. The significant increase in disbursements was primarily the result of pool construction costs.

The City's property tax collections remained relatively steady from fiscal 2004 to fiscal 2005. Approximately \$947,000 and \$950,000 in property taxes were collected in fiscal 2005 and 2004, respectively. Property tax receipts are budgeted to remain relatively the same in fiscal 2006.

The cost of all governmental activities this year was \$3.585 million compared to \$1.959 million last year. However, as shown on the Statement of Activities and Net Assets on pages 15-16, the amount taxpayers ultimately financed for these activities was only \$2.995 million because some of the cost was paid by those directly benefited from the programs (\$56,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$534,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2004 from approximately \$556,000 to approximately \$590,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$2,995,000 in tax (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

**Changes in Cash Basis Net Assets of Business Type Activities**  
(Expressed in Thousands)

	<u>Year ended</u> <u>June 30, 2004</u>	<u>Year ended</u> <u>June 30, 2005</u>
<b>Receipts:</b>		
<b>Program receipts:</b>		
Charges for service		
Airport	\$ 5	5
Sewer	329	323
Landfill	15	16
Capital grants, contributions and restricted interest	438	-
<b>General receipts:</b>		
Unrestricted interest on investments	10	8
Miscellaneous	<u>24</u>	<u>9</u>
<b>Total receipts</b>	<u>821</u>	<u>361</u>
<b>Disbursements and transfers:</b>		
Airport	278	3
Sewer	607	404
Landfill	16	15
Transfers	<u>33</u>	<u>14</u>
<b>Total disbursements and transfers</b>	<u>934</u>	<u>436</u>
<b>Increase (decrease) in cash balance</b>	(113)	(75)
<b>Cash basis net assets beginning of year</b>	<u>455</u>	<u>342</u>
<b>Cash basis net assets end of year</b>	<u>\$ 342</u>	<u>267</u>

Total business type activities receipts for the fiscal year were \$.361 million compared to \$.821 million last year. This significant decrease was due primarily to the grants received in fiscal 2004 which were not received in fiscal 2005. The cash balance decreased by approximately \$75,000 from the prior year because of a sewer repair project which was completed during fiscal 2005. Total disbursements and transfers for the fiscal year increased by 53.3% to a total of \$.436 million.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Albia completed the year, its governmental funds reported a combined fund balance of \$1,544,993, a decrease of more than \$1,097,000 below last years total of \$2,642,198. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$27,788 from the prior year to \$154,772.

The Road Use Tax Fund cash balance increased by \$2,147 to \$99,428 during the fiscal year. Road maintenance costs decreased by \$8,073 in fiscal 2005.

The Debt Service Fund cash balance increased by \$2,329 to \$274 during the fiscal year. Bond principal and interest payments increased by \$30,115 in fiscal 2005.

The Aquatic Center Fund cash balance decreased by \$958,907 during the fiscal year. These monies will be used for the construction of a new aquatic center in the City.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Sewer Fund cash balance decreased by \$82,838 to \$166,397, due primarily to construction projects which were completed during the fiscal year.

#### **BUDGETARY HIGHLIGHTS**

During the course of the year, the City amended its budget one time. The budget was amended because of costs associated with grants received for fire equipment and water main replacement.

#### **DEBT ADMINISTRATION**

At June 30, 2005, the City of Albia had approximately \$5,007,000 in bonds and other long-term debts, compared to approximately \$4,735,000 last year.

##### **Outstanding Debt at Year-End (Expressed in Thousands)**

	<u>June 30, 2004</u>	<u>June 30, 2005</u>
General Obligation Bonds and Notes	\$4,245	4,501
Revenue Bonds	490	400
Lease – Purchase Agreement	-	<u>106</u>
Total	<u>\$4,735</u>	<u>5,007</u>

Debt increased as a result of issuing general obligation bonds for a swimming pool project and because of a new lease – purchase agreement.

The amount of general obligation debt a political subdivision of the State of Iowa can incur is controlled by constitutional debt limit, which is an amount equal to 5% of the actual value of property within the corporate limits, taken from the last county tax list. The Issuer's debt limit, based upon said valuation, amounts to the following:

Actual Value of Property, 2003	\$98,200,061
Debt Limit	<u>.05</u>
	<u>\$4,910,003</u>

The City's outstanding general obligation debt of \$4,501,000 is below the constitutional debt limit of \$4,910,013.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

City of Albia's elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities. One of those factors is the economy and the rising costs of employee benefits.

These indicators were taken into account when adopting the budget for fiscal year 2006. Amounts available for appropriation in the operating budget are approximately \$4.0 million, keeping in line with 2005 budget year. Budget disbursements are expected to rise due to wage and cost of living adjustments.

## **CONTRACTING THE CITY'S FINANCIAL MANAGEMENT**

The financial report is designed to provide our citizens, taxpayer, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Linda Roorda, City Clerk, 120 South "A" Street, Albia, Iowa 52531.

## **Basic Financial Statements**

## City of Albia

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2005

Functions / Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 523,795	15,740	38,638	54,000
Public works	362,559	-	308,139	-
Culture and recreation	152,510	27,578	35,368	24,655
Community and economic development	32,956	-	13,946	-
General government	228,492	12,564	-	-
Debt service	417,219	-	-	-
Capital projects	1,867,844	-	-	59,375
Total governmental activities	3,585,375	55,882	396,091	138,030
Business type activities:				
Sewer	403,962	322,919	-	-
Airport	2,886	4,601	-	-
Landfill	14,922	15,773	-	-
Total business type activities	421,770	343,293	-	-
Total primary government	\$ 4,007,145	399,175	396,091	138,030
<b>Component unit:</b>				
Water utility	\$ 1,089,294	1,088,413	-	-
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Water Utility
(415,417)	-	(415,417)	-
(54,420)	-	(54,420)	-
(64,909)	-	(64,909)	-
(19,010)	-	(19,010)	-
(215,928)	-	(215,928)	-
(417,219)	-	(417,219)	-
(1,808,469)	-	(1,808,469)	-
(2,995,372)	-	(2,995,372)	-
-	(81,043)	(81,043)	-
-	1,715	1,715	-
-	851	851	-
-	(78,477)	(78,477)	-
(2,995,372)	(78,477)	(3,073,849)	-
-	-	-	(881)
631,327	-	631,327	-
315,614	-	315,614	-
381,518	-	381,518	-
17,899	-	17,899	-
9,327	8,340	17,667	4,252
500,000	-	500,000	-
21,172	9,482	30,654	-
7,000	-	7,000	-
14,310	(14,310)	-	-
1,898,167	3,512	1,901,679	4,252
(1,097,205)	(74,965)	(1,172,170)	3,371
2,642,198	342,266	2,984,464	284,037
\$ 1,544,993	267,301	1,812,294	287,408
\$ 99,428	-	99,428	-
274	132,543	132,817	116,398
1,290,519	-	1,290,519	72,697
154,772	134,758	289,530	98,313
\$ 1,544,993	267,301	1,812,294	287,408



**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**

As of and for the year ended June 30, 2005

	General	Special Revenue Road Use Tax	Debt Service	Capital Projects Aquatic Center	Other Nonmajor Governmental Funds	Total
<b>Receipts:</b>						
Property tax	\$ 533,466	-	315,614	-	97,860	946,940
Other city tax	13,682	-	-	381,518	-	395,200
Licenses and permits	12,251	-	-	-	-	12,251
Use of money and property	16,915	-	-	24,655	9,205	50,775
Intergovernmental	123,617	308,139	-	-	59,375	491,131
Charges for service	23,630	-	-	-	-	23,630
Miscellaneous	28,833	-	-	-	18,100	46,933
Total receipts	752,394	308,139	315,614	406,173	184,540	1,966,860
<b>Disbursements:</b>						
<b>Operating:</b>						
Public safety	459,864	-	-	-	63,931	523,795
Public works	17,069	305,992	-	-	39,498	362,559
Culture and recreation	126,029	-	-	-	26,481	152,510
Community and economic development	-	-	-	-	32,956	32,956
General government	162,608	-	-	-	65,884	228,492
Debt service	-	-	417,219	-	-	417,219
Capital projects	-	-	-	1,797,068	70,776	1,867,844
Total disbursements	765,570	305,992	417,219	1,797,068	299,526	3,585,375
Excess (deficiency) of receipts over (under) disbursements	(13,176)	2,147	(101,605)	(1,390,895)	(114,986)	(1,618,515)
<b>Other financing sources (uses):</b>						
Bond proceeds	-	-	-	500,000	-	500,000
Sale of capital assets	7,000	-	-	-	-	7,000
Operating transfers in	-	-	103,934	-	-	103,934
Operating transfers out	(21,612)	-	-	(68,012)	-	(89,624)
Total other financing sources (uses)	(14,612)	-	103,934	431,988	-	521,310
Net change in cash balances	(27,788)	2,147	2,329	(958,907)	(114,986)	(1,097,205)
Cash balances beginning of year	182,560	97,281	(2,055)	1,851,931	512,481	2,642,198
Cash balances end of year	\$ 154,772	99,428	274	893,024	397,495	1,544,993
<b>Cash Basis Fund Balances</b>						
<b>Reserved:</b>						
Debt Service	\$ -	-	274	-	-	274
<b>Unreserved:</b>						
General fund	154,772	-	-	-	-	154,772
Special revenue funds	-	99,428	-	-	239,733	339,161
Capital projects fund	-	-	-	893,024	(11,401)	881,623
Permanent funds	-	-	-	-	169,163	169,163
Total cash basis fund balances	\$ 154,772	99,428	274	893,024	397,495	1,544,993

See notes to financial statements.

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2005

	Sewer	Other Nonmajor Proprietary Funds	Total
<b>Operating receipts:</b>			
Use of money and property	\$ -	4,601	4,601
Charges for service	322,919	15,773	338,692
Total operating receipts	322,919	20,374	343,293
<b>Operating disbursements:</b>			
Business type activities	293,069	17,808	310,877
Total operating disbursements	293,069	17,808	310,877
<b>Excess of operating receipts over operating disbursements</b>	<b>29,850</b>	<b>2,566</b>	<b>32,416</b>
<b>Non-operating receipts (disbursements):</b>			
Interest on investments	6,240	2,100	8,340
Miscellaneous	6,275	3,207	9,482
Debt service	(110,893)	-	(110,893)
Total non-operating receipts (disbursements)	(98,378)	5,307	(93,071)
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(68,528)</b>	<b>7,873</b>	<b>(60,655)</b>
<b>Other financing sources (uses):</b>			
Operating transfers in	9,650	-	9,650
Operating transfers out	(23,960)	-	(23,960)
Total other financing sources (uses)	(14,310)	-	(14,310)
<b>Net change in cash balances</b>	<b>(82,838)</b>	<b>7,873</b>	<b>(74,965)</b>
<b>Cash balances beginning of year</b>	<b>249,235</b>	<b>93,031</b>	<b>342,266</b>
<b>Cash balances end of year</b>	<b>\$ 166,397</b>	<b>100,904</b>	<b>267,301</b>
<b>Cash Basis Fund Balances</b>			
Reserved for debt service	\$ 132,543	-	132,543
Unreserved	33,854	100,904	134,758
Total cash basis fund balances	\$ 166,397	100,904	267,301

See notes to financial statements.

City of Albia

Exhibit D

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Agency Fund

As of and for the year ended June 30, 2005

	<u>UDAG</u>
Operating receipts:	
Miscellaneous	<u>\$ 20,000</u>
Total operating receipts	<u>20,000</u>
Operating disbursements:	
Non program	<u>20,000</u>
Total operating disbursements	<u>20,000</u>
Excess of operating receipts over operating disbursements	<u>-</u>
Cash balance beginning of year	<u>-</u>
Cash balance end of year	<u><u>\$ -</u></u>

See notes to financial statements.

City of Albia

Notes to Financial Statements

June 30, 2005

**(1) Summary of Significant Accounting Policies**

The City of Albia is a political subdivision of the State of Iowa located in Monroe County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general governmental services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, City of Albia has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Albia (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Certain disclosures about the discretely presented component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the City Clerk's office.

**Discretely Presented Component Unit**

The Albia Municipal Waterworks is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Waterworks is governed by a three-member board appointed by the City Council and the Waterworks operating budget is subject to the approval of the City Council.

**Jointly Governed Organizations**

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Area XV Regional Planning Commission, Monroe County Assessor's Conference Board and the Monroe County Joint E-911 Service Board.

**B. Basis of Presentation**

**Government-wide Financial Statements** - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax is used to account for the road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

**Capital Projects:**

The Aquatic Center Fund is used to account for the construction of the new aquatic center.

The City reports the following major proprietary fund:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**C. Measurement Focus and Basis of Accounting**

The City of Albia maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**D. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and capital projects activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2005 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in the obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Government Accounting Standards Board Statement No. 3.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

**(3) Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, notes payable and revenue bonds are as follows:

Primary Government

Year Ending June 30,	General Obligation Bonds		Notes Payable		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 455,000	\$ 165,749	\$ 9,000	\$ 2,580	\$ 95,000	\$ 16,903	\$ 559,000	\$ 185,232
2007	460,000	149,103	10,000	2,200	100,000	12,912	570,000	164,215
2008	620,000	131,976	10,000	1,777	100,000	8,713	730,000	142,466
2009	485,000	109,678	10,000	1,354	105,000	4,462	600,000	115,494
2010	515,000	90,660	11,000	931	-	-	526,000	91,591
2011	535,000	69,823	11,000	465	-	-	546,000	70,288
2012	265,000	52,654	-	-	-	-	265,000	52,654
2013	275,000	39,455	-	-	-	-	275,000	39,455
2014	280,000	30,255	-	-	-	-	280,000	30,255
2015	300,000	20,620	-	-	-	-	300,000	20,620
2016	250,000	10,000	-	-	-	-	250,000	10,000
	<u>\$ 4,440,000</u>	<u>\$ 869,973</u>	<u>\$ 61,000</u>	<u>\$ 9,307</u>	<u>\$ 400,000</u>	<u>\$ 42,990</u>	<u>\$ 4,901,000</u>	<u>\$ 922,270</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to the sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

Even though not required, the City has established a reserve account for its revenue bonds.

**(4) Lease Purchase Obligations**

The City is purchasing a Street Sweeper under a capital lease contract. Future payments in relation to this lease is as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2006	\$ 19,517	\$ 4,342	\$ 23,859
2007	20,317	3,542	23,859
2008	21,150	2,709	23,859
2009	22,016	1,842	23,858
2010	22,919	939	23,858
Total	<u>\$ 105,919</u>	<u>\$ 13,374</u>	<u>\$ 119,293</u>

**(5) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year end June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.907%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$38,027, \$36,448 and \$37,150 respectively, equal to the required contributions for each year.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for compensated absences payable to employees at June 30, 2005 primarily relating to the General Fund, was \$24,046. The liability has been computed based on rates of pay as of June 30, 2005.

**(7) Budget Overexpenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the functional level. During the year ended June 30, 2005, disbursements in the Debt Service and Capital Project functions exceeded the amounts budgeted.

**(8) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer From	Amount
Enterprise: Sewer	General	<u>\$ 9,650</u>
Debt Service	General	11,962
	Capital Projects: Aquatic Center	68,012
	Enterprise: Sewer	<u>23,960</u>
		<u>103,934</u>
Total		<u>\$113,584</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.



**(9) Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$18,582 during the year ended June 30, 2005.

**(10) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 509 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$0. (Claim subsequently paid in July, 2005).

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member

withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Deficit Fund Balance**

The Capital Projects, Waterworks Main Fund had a deficit balance of \$11,041 at June 30, 2005. This deficit will be eliminated through subsequent collection of grant funds. This deficit was caused because the City paid the disbursements before the related grant funds were received.

**(12) Commitments**

The City entered into a contract for approximately \$2,500,000 for construction of a new aquatic center. This contract will be paid as work on the project progresses. This project should be completed in fiscal year 2006, and as of June 30, 2005, approximately \$800,000 remains on this contract.

The City also entered into a contract to purchase a snow plow and truck for approximately \$97,000. This equipment should be received in fiscal year 2006.

**(13) Grant Award**

In the spring of 2004, the City received a \$600,000 Community Development Block Grant for the repair of water lines in the city. Approximately \$540,000 of this grant remains to be drawn as of June 30, 2005. This grant also requires a local match of approximately \$820,000, which will consist of a loan from the State of Iowa Revolving Loan Fund.

**(14) Contingency**

In prior years, the City received payments in lieu of taxes from the local housing agency. However it was later determined that some of these funds should have been distributed to the other political subdivisions in the county. The City Attorney's position was that the City owed the other political subdivisions in the County for the past five years only, which would amount to approximately \$21,000. However, in fiscal year 2004, the City agreed to pay approximately \$64,000 to the other political subdivisions in settlement of the payments in lieu of taxes from the local housing agency. The City and other political subdivisions signed an agreement whereby the other political subdivisions will receive the City's share of the payments in lieu of taxes until the City's liability has been satisfied. At June 30, 2005, the City owed over \$58,000 to the other political subdivisions.

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

**Required Supplementary Information**

City of Albia

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds - Primary Government

Required Supplementary Information

Year ended June 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 946,940	-	946,940	938,284	950,378	(3,438)
Other city tax	395,200	-	395,200	21,250	132,781	262,419
Licenses and permits	12,251	-	12,251	24,800	10,933	1,318
Use of money and property	50,775	12,941	63,716	-	65,785	(2,069)
Intergovernmental	491,131	-	491,131	1,311,194	841,304	(350,173)
Charge for service	23,630	338,692	362,322	259,598	294,394	67,928
Miscellaneous	46,933	9,482	56,415	-	154,262	(97,847)
Total receipts	1,966,860	361,115	2,327,975	2,555,126	2,449,837	(121,862)
Disbursements:						
Public safety	523,795	-	523,795	493,128	547,128	23,333
Public works	362,559	-	362,559	435,502	435,502	72,943
Culture and recreation	152,510	-	152,510	164,751	164,751	12,241
Community and economic development	32,956	-	32,956	36,254	36,254	3,298
General government	228,492	-	228,492	346,897	346,897	118,405
Debt service	417,219	-	417,219	313,286	313,286	(103,933)
Capital projects	1,867,844	-	1,867,844	1,805,538	1,805,538	(62,306)
Business type activities	-	421,770	421,770	627,250	3,399,250	2,977,480
Total disbursements	3,585,375	421,770	4,007,145	4,222,606	7,048,606	3,041,461
Excess (deficiency) of receipts over (under) disbursements	(1,618,515)	(60,655)	(1,679,170)	(1,667,480)	(4,598,769)	2,919,599
Other financing sources, net	521,310	(14,310)	507,000	-	3,346,786	(2,839,786)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,097,205)	(74,965)	(1,172,170)	(1,667,480)	(1,251,983)	79,813
Balances beginning of year	2,642,198	342,266	2,984,464	3,277,108	3,277,108	(292,644)
Balances end of year	\$ 1,544,993	267,301	1,812,294	1,609,628	2,025,125	(212,831)

See accompanying independent auditor's report.

City of Albia

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,826,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

### **Other Supplementary Information**

City of Albia

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2005

	Special				
	Volunteer Fire Department	Police Department	Employee Benefits	Library	Historical Preservation Board
Receipts:					
Property tax	\$ -	-	97,860	-	-
Use of money and property	383	-	-	139	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	5,575	43	6,995	5,277
Total receipts	383	5,575	97,903	7,134	5,277
Disbursements:					
Operating:					
Public safety	32,206	6,980	24,745	-	-
Public works	-	-	16,143	-	-
Culture and recreation	-	-	10,572	15,909	-
Community and economic development	-	-	-	-	21,153
General government	-	-	65,884	-	-
Capital projects	-	-	-	-	-
Total disbursements	32,206	6,980	117,344	15,909	21,153
Excess (deficiency) of receipts over (under) disbursements	(31,823)	(1,405)	(19,441)	(8,775)	(15,876)
Cash balances beginning of year	31,823	13,841	27,872	20,619	46,472
Cash balances end of year	\$ -	12,436	8,431	11,844	30,596
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	\$ -	12,436	8,431	11,844	30,596
Capital project fund	-	-	-	-	-
Permanent funds	-	-	-	-	-
Total cash basis fund balances	\$ -	12,436	8,431	11,844	30,596

See accompanying independent auditor's report.

Revenue				Capital Projects	Permanent		Total
Cooper Estate Bequest	Cemetery Memorials	Special Assessment Bonds	Street Construction	Waterworks Main	Cemetery Perpetual Care and Memorial	Library Endowment	
-	-	-	-	-	-	-	97,860
8,669	-	-	-	-	14	-	9,205
-	-	-	-	59,375	-	-	59,375
8,669	-	-	-	-	210	-	18,100
				59,375	224	-	184,540
-	-	-	-	-	-	-	63,931
-	-	-	23,355	-	-	-	39,498
11,803	-	-	-	-	-	-	26,481
-	-	-	-	-	-	-	32,956
-	-	-	-	-	-	-	65,884
11,803	-	-	-	70,776	-	-	70,776
			23,355	70,776	-	-	299,526
(3,134)	-	-	(23,355)	(11,401)	224	-	(114,986)
141,693	2,106	32,214	26,902	-	74,461	94,478	512,481
138,559	2,106	32,214	3,547	(11,401)	74,685	94,478	397,495
138,559	2,106	32,214	3,547	-	-	-	239,733
-	-	-	-	(11,401)	-	-	(11,401)
-	-	-	-	-	74,685	94,478	169,163
138,559	2,106	32,214	3,547	(11,401)	74,685	94,478	397,495



## City of Albia

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Nonmajor Proprietary Funds

Schedule 2

As of and for the year ended June 30, 2005

	Airport Sinking Fund	Landfill	Total
Operating receipts:			
Use of money and property	\$ 4,601	-	4,601
Charges for service	-	15,773	15,773
Total operating receipts	4,601	15,773	20,374
Operating disbursements:			
Business type activities	2,886	14,922	17,808
Total operating disbursements	2,886	14,922	17,808
Excess of operating receipts over disbursements	1,715	851	2,566
Non-operating receipts:			
Interest on investments	300	1,800	2,100
Miscellaneous	3,207	-	3,207
Total non-operating receipts	3,507	1,800	5,307
Excess of receipts over disbursements	5,222	2,651	7,873
Cash balances beginning of year	19,778	73,253	93,031
Cash balances end of year	\$ 25,000	75,904	100,904
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ 25,000	75,904	100,904
Total cash basis fund balances	\$ 25,000	75,904	100,904

See accompanying independent auditor's report.

## City of Albia

## Schedule of Indebtedness

Schedule 3

Year Ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Bonds and Interest Due and Unpaid
General Obligation Bonds and Notes-									
Corporate Purpose Bonds									
Street Improvement Bonds	August 1, 1995	4.10 to 5.90%	\$ 760,000	430,000	-	50,000	380,000	23,903	-
Street Improvement Bonds	August 1, 1997	4.25 to 5.00%	1,000,000	720,000	-	105,000	615,000	34,990	-
Street Improvement Bonds	July 1, 1998	4.20 to 4.70%	775,000	525,000	-	50,000	475,000	24,133	-
Fire Equipment Note	May 4, 1999	4.23%	108,000	70,000	-	9,000	61,000	2,961	-
Corporate Purpose Bonds	December 1, 2002	1.90 to 4.35%	520,000	500,000	-	30,000	470,000	17,920	-
Swimming Pool Bonds	December 1, 2003	2.25 to 4.00%	2,000,000	2,000,000	-	-	2,000,000	68,013	-
Swimming Pool Bonds	June 1, 2005	2.85 to 3.10%	500,000	-	500,000	-	500,000	-	-
Total				\$ 4,245,000	500,000	244,000	4,501,000	171,920	-
Revenue Bonds-									
Sewer Revenue Refunding	June 1, 1999	3.60 to 4.25%	\$ 595,000	490,000	-	90,000	400,000	20,592	-
Lease Purchase Agreement- Equipment	September 29, 2004	4.10%	\$ 105,919	-	105,919	-	105,919	-	-

See accompanying independent auditor's report.

Sewer Revenue Refunding Bonds			
Year Ending June 30,	Issued June 1, 1999		Total Revenue Notes
	Interest Rates	Amount	
2006	4.20%	\$ 95,000	\$ 95,000
2007	4.20%	100,000	100,000
2008	4.25%	100,000	100,000
2009	4.25%	105,000	105,000
		<u>\$ 400,000</u>	<u>\$ 400,000</u>

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City of Albia

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

Schedule 5

For the Last Three Years

	2005	2004	2003
<b>Receipts:</b>			
Property tax	\$ 946,940	950,378	946,568
Other city tax	395,200	132,780	12,229
Licenses and permits	12,251	10,933	10,435
Use of money and property	50,775	51,900	37,023
Intergovernmental	491,131	403,254	628,196
Charges for service	23,630	6,588	38,705
Special assessments	-	5,269	-
Miscellaneous	46,933	123,574	144,809
<b>Total</b>	<b>\$ 1,966,860</b>	<b>1,684,676</b>	<b>1,817,965</b>
<b>Disbursements:</b>			
Operating:			
Public safety	\$ 523,795	452,930	445,431
Public works	362,559	352,137	305,101
Culture and recreation	152,510	193,891	268,111
Community and economic development	32,956	47,637	18,382
General government	228,492	289,948	309,765
Debt service	417,219	387,104	474,038
Capital projects	1,867,844	235,007	176,612
<b>Total</b>	<b>\$ 3,585,375</b>	<b>1,958,654</b>	<b>1,997,440</b>

See accompanying independent auditor's report.

PEAK & GERDES, LLP  
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WEST DES MOINES, IOWA 50265

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with Government Auditing  
Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Albia, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated July 15, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Albia's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Albia's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05, I-C-05, I-E-05 and I-F-05 are material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Albia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended for the information and use of the officials, employees and citizens of the City of Albia and other parties to whom the City of Albia may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Albia during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Peak & Gerdes, LLP  
Certified Public Accountants

July 15, 2005

City of Albia

Schedule of Findings

Year ended June 30, 2005

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**REPORTABLE CONDITIONS:**

- I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

- I-B-05 Payroll Procedures – Instances were noted where employee I-9's were either not located or incomplete. A full-time employee was not required to work full-time. Taxable fringe benefits are not added to the employee's pay, and consequently applicable taxes were not withheld. Instances were noted where vacation and compensatory time hours were not properly recorded on the payroll reports, and other instances were noted where individuals were overpaid.

Recommendation - Properly completed I-9's should also be on file for all applicable employees. The City should ensure that full-time employees are required to work full-time. Also, all taxable fringe benefits should be added to employees pay, with all applicable taxes withheld. Procedures should also be implemented to ensure vacation hours, compensatory time hours and rate of pay is properly recorded on the payroll system.

Response - We will implement these recommendations to the best of our ability.

Conclusion - Response accepted.

- I-C-05 Records of Account - The Albia Police Department maintains the accounting records and bank statements pertaining to three different bank accounts. The Albia Fire Department maintains the accounting records and bank statements pertaining to the volunteer fire department fund. These transactions and the resulting balances are not recorded in the Clerk's records. Chapter 384.20 of the Code of Iowa states in part "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." In addition, some funds are not recorded by the City either manually or on the computer.

City of Albia

Schedule of Findings

Year ended June 30, 2005

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of all city accounts should be recorded on the Clerk's records. In addition, the City should record all funds on its computer system.

Response - We will review this situation.

Conclusion - Response accepted.

- I-D-05 Receipts - During our testing, we noted that receipts were not always timely deposited to the bank. In addition, receipts were not always properly classified in the general ledger. Also, the City's general ledger account structure does not consistently follow the requirements as outlined by the City Finance Committee.

Recommendation - Receipts should be deposited more timely, preferably daily. In addition, the City should implement procedures to ensure all receipts are properly classified in the general ledger, and that the account structure follows the requirements as outlined by the City Finance Committee.

Response - We will work on more timely deposits, proper classification of receipts, and ensure compliance with the requirements as outlined by the City Finance Committee.

Conclusion - Response accepted.

- I-E-05 Fire Department - The volunteer fire department gave \$32,206 to a non-profit organization. This non-profit organization used this money to purchase a vehicle for the fire department. The vehicle in question is on the City's insurance policies and is titled and licensed in the City's name.

Recommendation - The City consult with legal counsel regarding this issue, and take action as necessary.

Response - We will consider this issue to be taken care of, and no further action is planned.

Conclusion - Response accepted.

- I-F-05 Grants - The City received a grant from the Federal Emergency Management Agency. Federal regulations require that procedures be in place to ensure minimal time elapses between the date of receipt of the federal funds and the related disbursement of those funds. For part of this grant, six months elapsed between date of receipt of those funds and the related disbursements of those funds.

Recommendation - The City implement procedures to ensure federal funds received are spent in a timely manner.

Response - We will implement this recommendation.

Conclusion - Response accepted.



City of Albia

Schedule of Findings

Year ended June 30, 2005

**Part II: Other Findings Related to Statutory Reporting:**

- II-A-05      **Official Depositories** – For nineteen days in fiscal year 2005, a resolution naming official depositories was not been approved by the City for one bank. However, at June 30, 2005, the maximum deposit amounts as stated in the resolution were not exceeded.
- Recommendation** - In the future, the City ensure official depositories and the maximum amount that may be kept on deposit, as required by Chapter 12C.2 of the Code of Iowa, are met.
- Response** - We will implement this recommendation.
- Conclusion** - Response accepted.
- II-B-05      **Certified Budget** – Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the debt service and capital projects functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered under an annual or continuing appropriation.
- In addition, the fiscal year 2005 budget published in the newspaper does not mathematically foot. Also, the beginning budget amounts recorded on the budget amendment did not agree with the ending budget amounts recorded on the original budget.
- Recommendation** – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, procedures should be implemented to ensure the budget amounts mathematically foot, and that the amended budget reconciles to the original budget.
- Response** – The budget will be amended in the future, if applicable. Also, procedures will be implemented to ensure the budget mathematically foots, and that the amended budget reconciles with the original budget.
- Conclusion** – Response accepted.
- II-C-05      **Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-D-05      **Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-E-05      **Business Transactions** - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction/ Description</u>	<u>Amount</u>
Robert Reed, Planning and Zoning Commissioner and Historic Preser- vation Board; Owner, R & H Construction	Construction Work	\$16,834
Jan Haselhuhn, Council Member; Owner R & H Construction		

City of Albia

Schedule of Findings

Year ended June 30, 2005

Ray Vitko, Jr., Planning and Zoning Commissioner and Fireman, Owner of Vitko's Sinclair	Service Trucks	\$1,748
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In accordance with Chapter 362.5(10) of the Code of Iowa, the above transactions may represent a conflict of interest as defined in Chapter 362.5 of the Code of Iowa since the total transactions exceed \$1,500 during the fiscal year and some of the above transactions were not competitively bid.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

Response - We will review this with legal counsel.

Conclusion - Response accepted.

II-F-05      Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05      Council Minutes - Transactions were found that we believe should have been approved in the Council minutes but were not. The Cooper Estate Bequest Fund and Historical Preservation Board invoices were not approved by the Council.

A summary of all receipts was not published in the newspaper. Some Council minutes, and related claims, were not published in the newspaper. All of this is required by Chapter 372.13(6) of the Code of Iowa. The specific reference to a Code section for entering into a closed session was not documented in the Council minutes as required by Chapter 21.5 of the Code of Iowa.

Recommendation - The City should implement procedures to ensure that all invoices are approved by the City Council. The City should also implement procedures to ensure that all invoices, a summary of all receipts and all Council minutes are published in the newspaper as required by the Code of Iowa. In addition, procedures should be implemented to ensure compliance with Chapter 21.5 of the Code of Iowa.

Response - We will implement these recommendations.

Conclusion - Response accepted.

II-H-05      Deposits and Investments - As noted as II-A-05 an instance of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy was noted. In addition, interest income earned from the proceeds of debt were not credited to the project fund.

Recommendation - Interest income earned on the proceeds of debt should be credited to the project fund.

Response - We will implement this recommendation.

Conclusion - Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2005

- II-I-05      Revenue Bonds and Notes - The City has complied with the provisions of the revenue bond resolutions.
- II-J-05      Financial Condition – The Capital Projects – Waterworks Main Fund had a deficit balance of \$11,401 at June 30, 2005. In addition, the balances in the Special Revenue Funds, Special Assessment Bonds and Proprietary Funds, Landfill appears to be excessive.
- Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this account to a sound financial position. In addition, procedures should be implemented to reduce the funds with excessive balances.
- Response - We will continue to monitor this.
- Conclusion - Response accepted.
- II-K-05      Transfers – At June 30, 2005, \$1,820 was due from the Debt Service Fund to the Rural Fire Department Fund.
- Recommendation – The City make the above transfer.
- Response – We will implement this recommendation.
- Conclusion – Response accepted.
- II-L-05      Economic Development - The City paid \$1,000 to Monroe County Sports Complex, a non-profit organization. This may not be an appropriate expenditure of public funds.
- In accordance with Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses specific criteria to be considered in documenting the public purpose.
- Recommendation – The Council should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require the benefiting organizations to provide documentation of how the funds were used to accomplish economic development activities.
- Response – We will do this.
- Conclusion – Response accepted.
- II-M-05      Disbursements – Instances were noted where the City did not consistently cancel paid invoices. Also, there was not always documented receipt of merchandise or service prior to payment of the invoices. An instance was noted in which an invoice was not obtained prior to the payment of the claim.
- Recommendation – We recommend the City cancel all paid invoices. In addition, the City should implement procedures to ensure receipt of merchandise and services is documented prior to the payment of the invoices, and that invoices are obtained prior to the payment of the related claim.

City of Albia

Schedule of Findings

Year ended June 30, 2005

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-N-05

General Obligation – The average interest rate on the remaining portion of the 1995 bond issue is in excess of 5%. The bond agreements allow the City to refinance these bonds. General obligation bonds issued by other City's this past year have been issued at rates between 2%-4%. If the City would have refinanced the bonds this past year, they could have saved a significant amount of interest over the term of the 1995 bond issue.

Recommendation – The City analyze all aspects of its operation, including financing decisions, to ensure the business decisions made are prudent and efficient.

Response – We will continually review the financing decisions to ensure the decisions made are prudent and efficient.

Conclusion – Response accepted.

II-O-05

Lease-Purchase Agreement – During the year ended June 30, 2005, the City entered into a lease agreement for the purchase of a street sweeper. However, no evidence could be found that a notice of proposed action or public hearing was held in accordance with the requirements of the Code of Iowa.

Recommendation – The City should consult with legal counsel in relation to the disposition of this matter. In the future, the City should implement procedures to ensure the Code of Iowa requirements are met prior to entering into a lease-purchase agreement.

Response – We will consult with legal counsel, and this will be complied with in the future.

Conclusion – Response accepted.

II-P-05

Compliance Issues – Some general obligation bond principal and interest payments were not paid from the Debt Service Fund, as required by Chapter 384.4 of the Code of Iowa. Adjustments were subsequently made so that all general obligation bond principal and interest payments were charged to the Debt Service Fund. The City does not appear to be following the contract in regards to the Municipal Housing Agency payment in lieu of tax amounts. The City did not apply for a sales tax refund on a completed construction project. Social Security was withheld on some police department wages, even though there is an agreement which states that Social Security will not be withheld. It appears the State of Iowa Job Service reports and the wage amounts as published in the newspaper are inaccurate.

Recommendation – The City should ensure that all general obligation bond principal and interest payments are paid from the Debt Service Fund. The City follow the contract in relation to the Municipal Housing Agency payment in lieu of tax amounts, and apply for a sales tax refund on completed construction projects. The City should also not withhold Social Security from Police Department wages, and determine whether the State of Iowa Job Service reports and wage amounts published in the newspaper are accurate.

Response – We will implement these recommendations.

Conclusion – Response accepted.

City of Albia

Schedule of Findings

Year ended June 30, 2005

II-Q-05

Receipt Procedures – Instances were noted where individuals did not pay the City rent for airplane hangers. The Daycare did not pay rent to the City, as required by the lease. The City may not have received all monies due to them from the townships for fire protection. The City Library is unable to account for an interest check they received from a certificate of deposit account.

Recommendation – The City implement procedures to ensure all monies due to them are received and deposited to the bank account.

Response – We will review this and take appropriate action.

Conclusion – Response accepted.

II-R-05

Authorized Signatory – The bank records show a former employee as an authorized signatory on a bank account.

Recommendation – The City remove the former employee from the signature card at the bank.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-S-05

Street Report – The Street Report filed with the Iowa Department of Transportation included inaccurate receipt and disbursement amounts.

Recommendation – In the future, the City ensure the Street Report is accurately completed.

Response – We will implement this recommendation.

Conclusion – Response accepted.